MURPHY
OIL CORPORATION

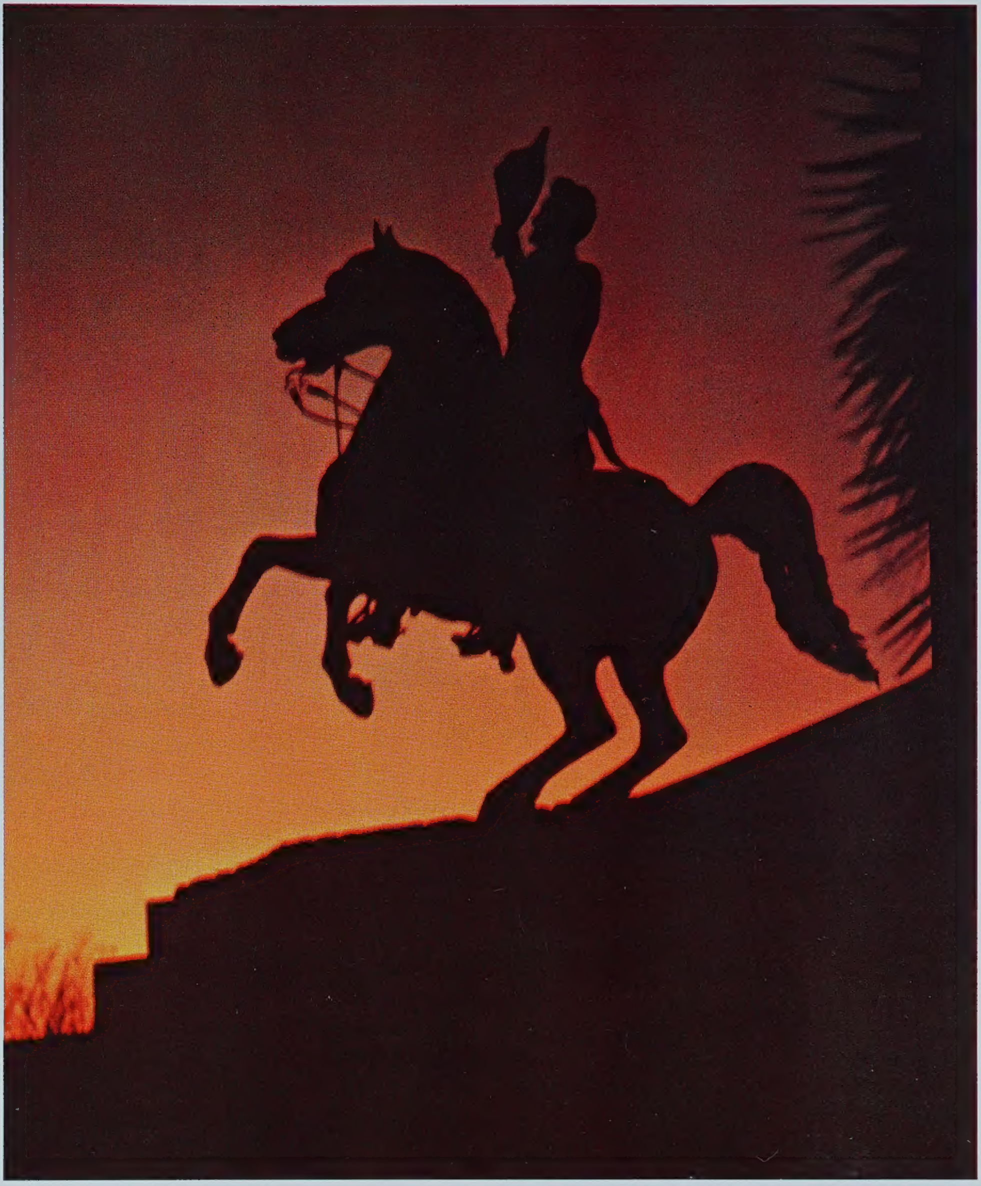
1969 Annual Report






Murphy Oil Corporation
200 Jefferson Avenue
El Dorado, Arkansas 71730

1969 Annual Report



The Cover
Whatever your idea of a good vacation—the seashore, the mountains, points of cultural or historical interest or the bright lights of the city, it's to be found in that wonderful part of the United States where Murphy markets its Spur petroleum products. Some of the things to see and some of the facilities Murphy has to serve the visitor are featured in this Annual Report.

The statue of Andrew Jackson (right) is a familiar sight to anyone who has visited New Orleans' Vieux Carré. Not far away in the Gulf of Mexico, "Ocean Queen," a semisubmersible ODECO drilling barge, carries on the never-ending search for oil.

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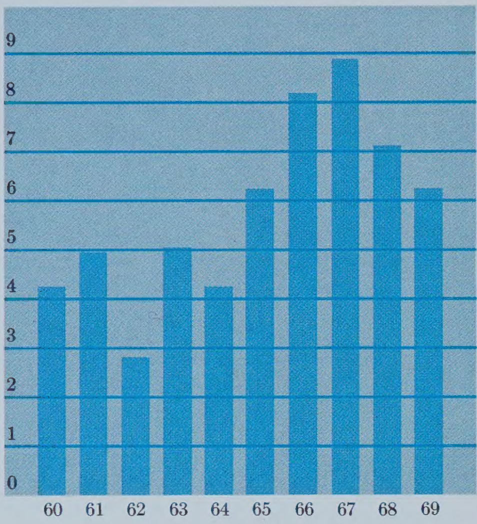
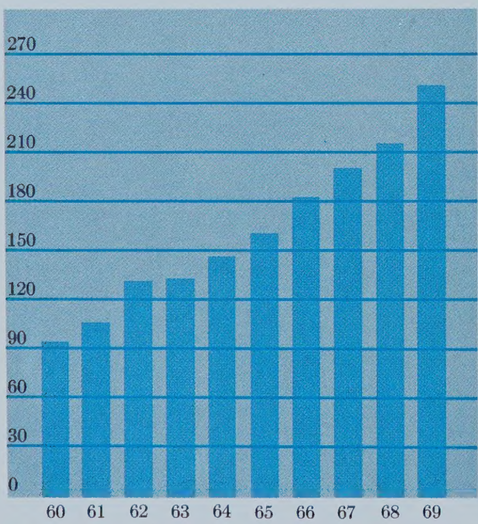
HIGHLIGHTS

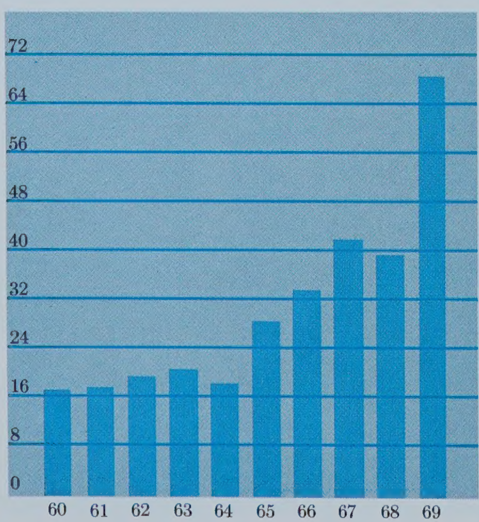


CONSOLIDATED INCOME
BEFORE EXTRAORDINARY ITEMS
(millions of dollars)

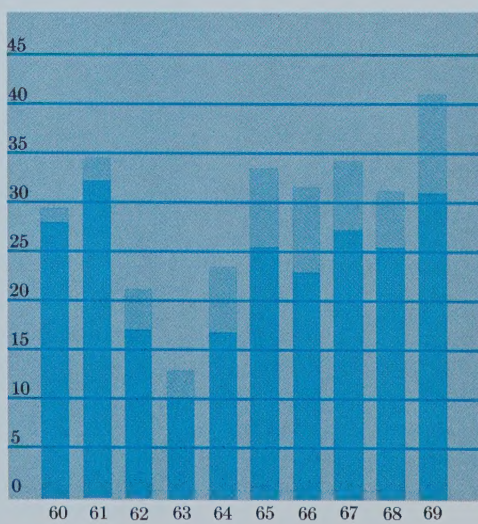


GROSS REVENUES (millions of dollars)

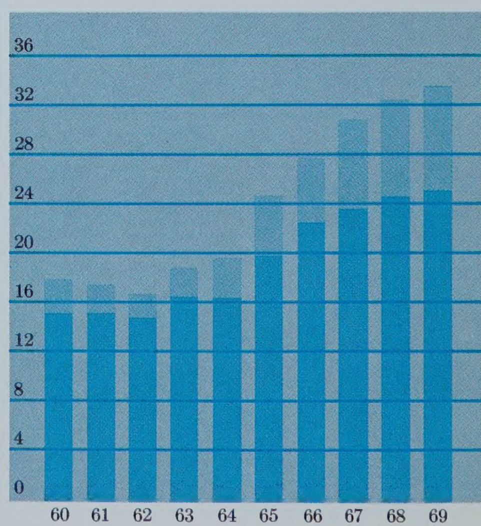
	1969	1968
FINANCIAL		
Revenues	**$251,996,000**	214,551,000
Income before extraordinary items	**6,228,000**	7,020,000
Per share	**1.10**	1.28
Net income	**6,631,000**	7,918,000
Per share	**1.19**	1.48
Cash flow	**24,909,000**	24,274,000
Dividends paid:		
Preferred and Preference Stock	**1,134,000**	1,432,000
Common Stock	**2,730,000**	2,466,000
Common Stock dividends per share	**0.60**	0.57½
Capital expenditures	**41,321,000**	31,420,000
Depreciation and depletion	**14,303,000**	15,012,000
Working capital	**69,769,000**	39,727,000
Long-term debt	**103,998,000**	64,979,000
Total assets	**343,914,000**	283,709,000
Stockholders' equity	**137,549,000**	135,032,000
STOCKHOLDERS AND EMPLOYEES		
Common stockholders—end of year	**5,203**	5,208
Common and Common equivalent shares—average outstanding	**4,616,638**	4,416,533
Employees—end of year	**3,635**	3,662
Salaries, wages and benefits	**$ 27,020,000**	24,504,000
OPERATING (Barrels a day except gas)		
Crude oil and gas liquids produced	**37,400**	23,000
Gas sold (thousand cubic feet a day)	**60,300**	55,400
Refinery runs	**56,600**	51,800
Petroleum products sold	**104,400**	88,000



WORKING CAPITAL (millions of dollars)



CAPITAL EXPENDITURES
(millions of dollars)
Minority Interest



CASH FLOW (millions of dollars)
Minority Interest

TO THE STOCKHOLDERS

Nineteen sixty-nine was an unrewarding year. Earnings declined and the petroleum industry's tax burden increased and its public image suffered. Murphy's earnings before extraordinary items fell to $6,228,000, $1.10 a share of Common Stock, from $7,020,000 or $1.28 a share earned in 1968. Items of extraordinary income added nine cents a share, $403,000, to net income in 1969 and 20 cents, $898,000, in 1968.

Exploration costs of $8,700,000 were $1,700,000 higher than in 1968. This cost increase is a consequence of our intensifying search for new oil and gas reserves. Even though it is sufficient to account for all of the decline in income, the disappointment in 1969's results is not greatly relieved because the "game plan" called for incurrence of higher exploration expenditures without penalizing profits.

Interest on borrowed capital, U. S. and foreign income taxes, employment costs and ocean transportation rates were markedly higher than in 1968. Increases in interest and taxes were expected, and reasonable provision for absorbing them was made. The cost of rising wages and salaries is difficult to pass on to customers in intensely competitive petroleum markets, but without wage increases in an inflationary environment our employees would suffer a decline in real earnings. This too was anticipated, and we are prepared to accept it cheerfully.

The unyielding problem was the cost of transporting crude oil from our overseas sources, principally the Persian Gulf, to refining points in Canada and Europe and the high cost of local distribution in the latter. Our forecasts indicated effect of closure of the Suez Canal would abate and, as a consequence, tanker rates would decline during the year. We planned our chartering accordingly. On the contrary, after following our projections quite closely through May, spot and period charter rates turned sharply upward and continued to rise throughout the remainder of the year. Countermeasures were invoked promptly, but they could not take effect in time to avoid heavy costs throughout the last half of the year.

Crude oil and gas production, refined product sales, contract drilling revenue and timber sales all increased, in some cases dramatically. Their buoyant effect lifted gross revenue above the quarter-billion-dollar mark for the first time in Murphy's history. Cash flow was steady at $24,900,000, $5.15 a Common share, compared with $24,300,000 or $5.18 a Common share in 1968.

Our exploration program was expanded. Several discoveries and important field extensions resulted, notably offshore Louisiana. Acreage holdings in the Jurassic trend of Mississippi-Alabama were enlarged, and seismic investigations continued throughout the year. An important, and costly, 21,000-foot dry hole was drilled on this trend in Wayne County, Mississippi. The well contributed significantly to understanding of geology in the area, and a follow-up test was drilling over the year-end. Seismic exploration on our 190,000-acre group of permits in the Northwest Territories of Canada defined several prospects worthy of future testing. Holdings off Nova Scotia were enlarged to 565,000 acres.

Seismic surveys defined several prominent prospects in the Taranaki Basin between the North and South Islands of New Zealand, where ODECO and Murphy together hold a one-third interest in 3.5 million acres in partnership with Société Nationale des Pétroles d'Aquitaine. During the year, operators of the adjacent permit to the north announced that they had found gas, condensate and oil in two wells about nine miles apart and apparently on one structure. The discovery adds significantly to importance of the area as a prospective new source of hydrocarbons. Accordingly, plans for accelerating initial test drilling on our permit were being implemented at year-end.

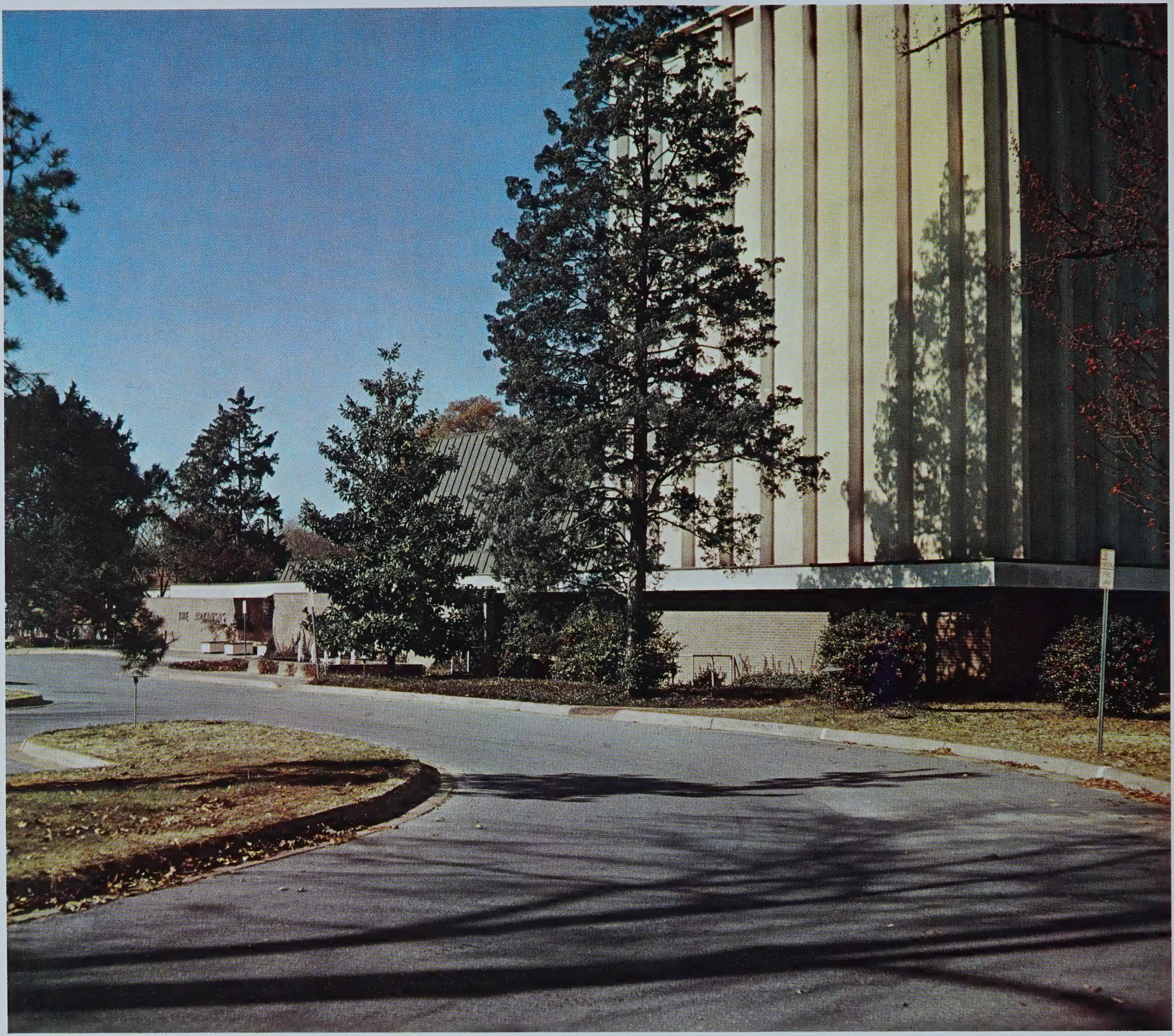
Capital and exploration expenditures for the year were materially higher than in 1968. A major portion of the increase was for drilling barge construction. One new drilling barge was completed during the year, and another is under construction for completion early next year. Expenditures which had been projected for the latter part of the year in connection with the start of construction on the Scottish refinery were not made. The permit for its construction has not been granted as yet by the Secretary of State for Scotland.

Earnings in 1969, and 1968 as well, were penalized by an error on the part of the Oil Import Administration in calculating Murphy's quota to import crude oil into the United States. In January 1970, as a result of a Federal District Court ruling, the Company received an additional import quota of 1,345,698 barrels for the first half of 1970. Of this amount, 1,051,935 barrels represent an adjustment to 1968 and 1969 quotas and will be accounted for as an extraordinary income item in the first half of 1970. The remaining 293,763 barrels are an adjustment of the initial quota granted for the first six months of 1970 and will be reflected in the operating results.

At this moment tight money and the highest interest rates in a century are drawing attention to liquidity of corporations. Murphy's year-end cash and net working capital positions were the strongest in its history. Cash generated by the business increased in eight of the ten years of the sixties. On several occasions during that period, equity capital and long-term debt were added when capital markets were favorable. Thus a decade's capital program, which has transformed the Company, has been carried out while steadily building working capital.

Higher taxes and stubborn inflation of costs in the face of gathering signs of a slowdown in business clearly call for caution in predicting the future. Nevertheless, shareholders may reasonably expect the best assessment possible of the Company's position as it enters 1970.

We think the year opened on a good note. Some saving in cost under our contracts for ocean transportation of crude oil occurred January 1, and more



The Arkansas Arts Center presents an inviting scene among venerable trees in Little Rock's MacArthur Park. The park was once the site of the Little Rock Arsenal, the birthplace of General of the Army Douglas MacArthur. A few blocks away, the Spur flag flies over a service station near the State Capitol grounds. Within the downtown area of Little Rock and open to visitors are two other capitols which were used during Arkansas' territorial and early statehood periods.

are scheduled during the year as new agreements take effect. The larger quota to import crude oil will reduce raw material costs in the United States. The volume of products sold is at a record level. Within recent months, there has been a rescheduling of tankers in the Persian Gulf to bring about further cost reductions, although this has reduced crude oil production there for a time. Elsewhere, oil and gas production is higher as well completions of the 1969 development program make themselves felt.

Considering this position, we would confidently predict higher, possibly substantially higher, earnings during 1970, were it not for the uncertainty of the economy. We do pledge alertness in recognizing and adjusting to changing situations in order to achieve the best possible results.

C H Murphy Jr

President

February 27, 1970

OPERATING REVIEW

PRODUCTION AND EXPLORATION

Production from the Sassan Field in the Persian Gulf increased during 1969, and first shipments were made from two newly discovered oil fields in Libya. A gas discovery was tested in the Norwegian North Sea. Gas production was started from a discovery well in Texas waters of the Gulf of Mexico; emphasis continued on drilling and production increases offshore Louisiana. Large land positions were taken in frontier geologic provinces of Canada. A seismic survey was made in promising areas off the coasts of Australia and New Zealand.

Iran

Production from Sassan Field averaged 119,000 barrels a day in 1969. This is less than the rated capacity of the field, which came on-stream in November 1968, but it is expected that production will rise toward 170,000 barrels a day as the several participating companies integrate this important field into their systems. Murphy marketed 28,400 barrels a day from Sassan.

Lavan Island terminal facilities are now used jointly by the Lapco Group, of which Murphy is a member, and the Iminoco Group, each of which is 50-percent owned by National Iranian Oil Company. A half-interest in the facilities has been transferred to Iminoco, and this transaction will result in a reduction of operating costs and a return to Murphy and its partners of 50 percent of their investment in the facilities.

There has been no additional delineation drilling on the W structure, 70 miles northwest of Sassan. A Lapco Group discovery there in 1967 was confirmed in 1968 as having significant productive capacity. Additional review is scheduled in 1970 to determine if the field holds commercial promise.

Discussions continued into 1970 to establish a permanent posted price for oil from Sassan Field.

Libya

In August, production was started from the Magid Field in Concession 105, and the first shipment from the Mansour Field on Concession 104 was made in December. These two fields came on at 19,500 barrels a day, about two-thirds of the rate that is expected during 1970.

Three successful completions, one of which was exploratory, and four dry holes resulted from drilling in the Magid A and C areas. An exploratory well drilled on Concession 104A and one on Concession 105 were dry.

United States

Murphy operates in the Continental Shelf of the Gulf of Mexico principally through its 51-percent-owned affiliate Ocean Drilling & Exploration Company (ODECO), but it is also directly interested in some activities there.

Two rank wildcats in Louisiana waters of the Gulf resulted in oil and gas discoveries, and a number of important semiwildcats and outposts proved new producing areas for development.

In Eugene Island Block 172, a 13,500-foot wildcat yielded commercial amounts of oil and gas from multiple pay zones. Additional drilling is planned to determine if a gas discovery in Ship Shoal Block 223 is commercial.

In the Ship Shoal Block 113 Field, nine wells were drilled, resulting in 13 producing streams. Five of these streams and six resulting from 1968 drilling were put on production, and eight were awaiting completion or flow line installation

In Minnesota, they say the lakes that dot the countryside are hoofprints left by Paul Bunyan's blue ox "Babe." Whether they were dug out by a blue ox or by retreating glaciers, there are some 15,000 in this "land of 10,000 lakes," and each is a thing of beauty. Highway 38 north of Grand Rapids affords a colorful view of Surprise Lake (above). Murphy's refinery at Superior, Wisconsin is a major manufacturer of asphalt for highways in the area.

at the end of 1969. Ship Shoal Block 113 is one of the operating group's most important fields under development. At year-end, three rigs were at work there.

In South Pelto Block 20, a development well was completed and three noncommercial stepout wells provided information which may lead to future deep production in the south flank of the field.

To handle crude oil from Ship Shoal Block 113 and South Pelto Block 20 Fields, an oil pipeline, onshore storage facilities and a barging terminal are being installed.

A 13-slot drilling-and-production platform was installed in Ship Shoal Block 239 Field. Five wells were dually completed in 1969, and drilling was started on a sixth. An oil trunk line was laid and connected to an existing pipeline for the start of production early in 1970.

In Vermilion Block 16 Field, two development wells and one exploratory well resulted in a gas well, a triple gas completion and a shut-in gas well.

Offshore Texas, a gas well was completed as a one-mile stepout to the discovery well on High Island Block 129. Six dry wildcats were drilled as the Alamos Group continued to evaluate sizable lease holdings acquired in 1968. Gas delivery from the discovery well started in November, and the second well will come on-stream by mid-1970. Additional drilling is planned.

Two important wildcats were being drilled at year-end in the Jurassic trend area of Mississippi and Alabama, and a third was started early in 1970. The Company has expanded its net acreage in that play to about 40,000 acres. A costly deep test in that area in 1968 produced information that will be used in an extensive drilling program during 1970.

Another significant land program was carried out in the Williston Basin of North and South Dakota, where the Company acquired 70,000 net acres.

Venezuela

In Venezuela Block 575, where Murphy's interest is 15 percent, several rate-maintenance wells were drilled to the two major Lake Maracaibo oil reservoirs in which the block shares. These helped maintain production rates at about the same level as in 1968.

On Lot 17, also in Lake Maracaibo, production continued under the influence of gas injection and water injection projects installed in recent years to maintain pressure and increase ultimate recovery. Construction was completed on gas-liquids extraction facilities as part of a major complex owned by a consortium of operators with associated-gas production in the west central portion of the lake.

Normal production continued on Lot 9 in the heavy oil area of eastern Venezuela. Personnel and facilities assigned to Lot 9 operations will be used to develop a nearby heavy oil field for a major company, and income from these contract services will reduce the cost of producing oil from Lot 9.

Additional seismic work was done on untested areas of Lot 17, and at least two tests are anticipated in 1970.

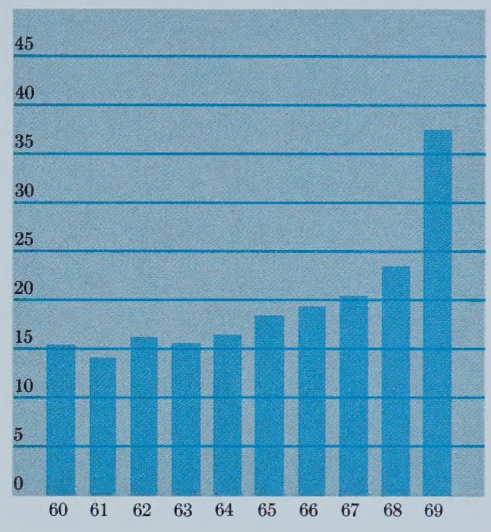
Canada

New production was developed in the Inga area of northeast British Columbia, and secondary recovery projects went on-stream at Willesden Green in central Alberta and at Coutts and Milk River in southern Alberta.

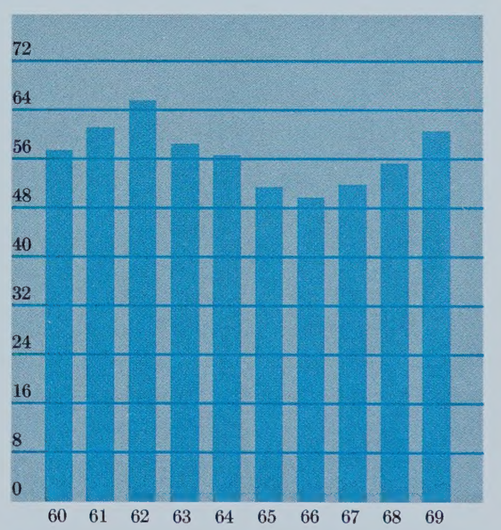
Successful drilling in Alberta resulted in a gas-condensate well in the Ferrier area, a gas well in the Clyde area and a gas well in the Sapphire area. Additional evaluation of these discoveries will be made in 1970.

A permit of some 590,000 acres was acquired in the Chilko River area of the Quesnel Basin, a rank wildcat region in southern British Columbia. Aerial magnetic survey work has been completed there, and plans are being made for exploration drilling.

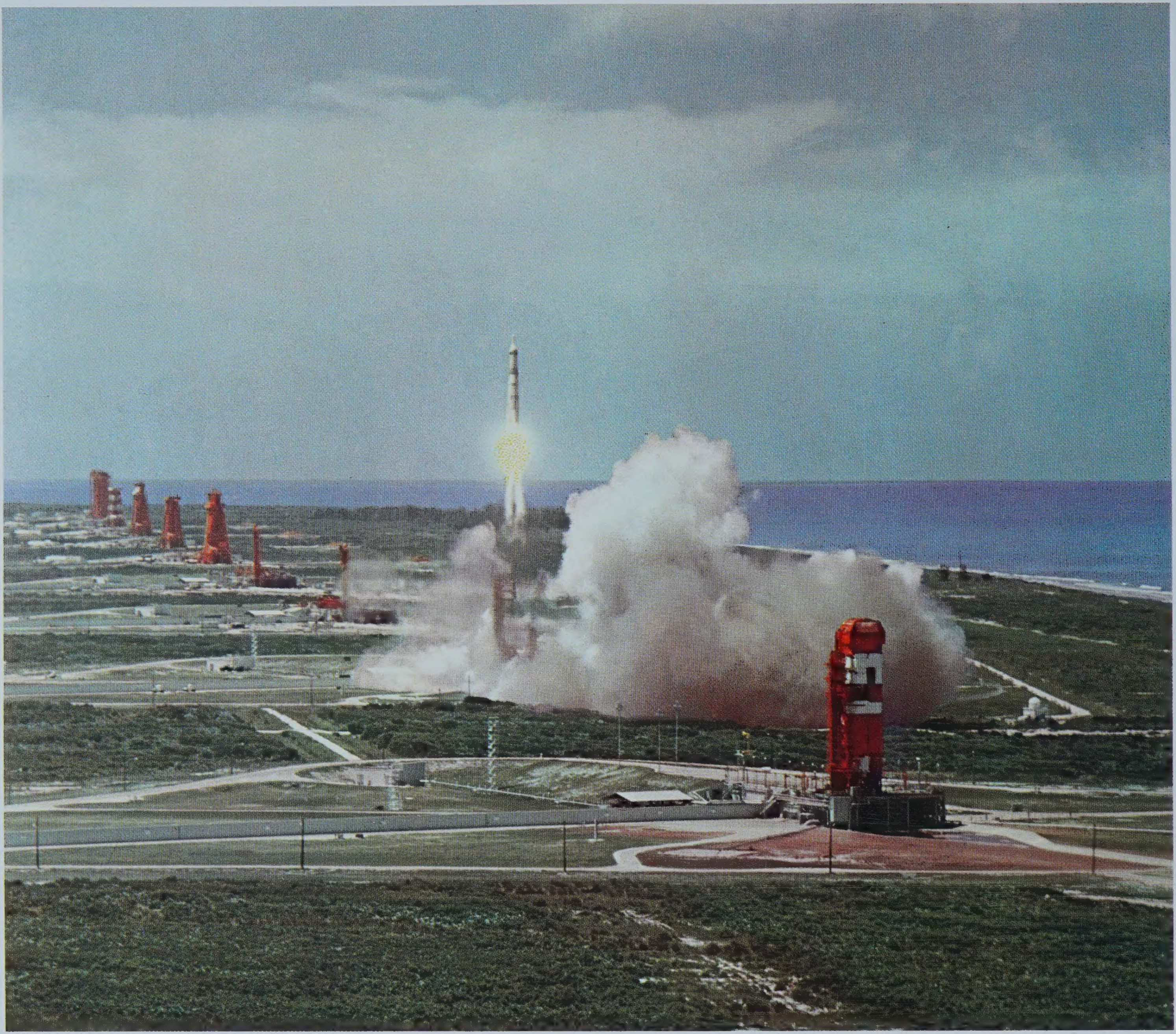
In the Liard River area of the Northwest Territories, the Company acquired 62,000 acres, bringing its holdings there to 191,000 acres, and a well is scheduled to be drilled early in 1970 by another company under a farmout



NET CRUDE OIL AND
GAS LIQUIDS PRODUCTION
(thousands of barrels per day)



NET NATURAL GAS PRODUCTION
(millions of cubic feet per day)



Florida abounds in tourist attractions, and one of the newest and most fascinating is Cape Kennedy. From the Cape, the United States' astronauts have blasted off in space flights that ranged from cautious sub-orbital flights to the historic flights to the moon. Florida is an increasingly important marketing area for Murphy Oil Corporation. Terminals such as the one at Freeport, Florida (right) receive and distribute refined products brought by barge from the Murphy refinery at Meraux, Louisiana.

agreement. This is considered to be a promising gas region.

Acreage off the coast of Nova Scotia was increased to 565,000, and a seismic survey is planned for mid-1970. Interest in this area is high.

A 10,000-acre permit was obtained in the Walpole Island area of Ontario, west of the Niagara Peninsula. A gravity meter survey is under way there.

Two stratigraphic tests were drilled in Manitoba as the start of a program to evaluate some 50,000 acres of Company land.

A second test was drilled on the Gaspé Peninsula in Quebec. The well was dry, but it provided somewhat more promise for further evaluation than has been experienced in this area previously.

North Sea

The initial exploratory well on an area of 874 square miles in the Norwegian North Sea tested substantial quantities of dry gas. A bold stepout on this license, in which Murphy and ODECO own 25 percent each, was dry. Additional drilling is necessary for evaluation of this area, which is made more attractive by another company's announcement of an oil discovery nearby.

Murphy and ODECO participated in an unsuccessful well in the British sector of the North Sea.

Australia-New Zealand

By completing a seismic survey off the coast of New South Wales, Murphy and ODECO will earn an 80-percent interest in a license held by Clarence River Oil Exploration Company. Seismic work has been completed, and the results are being studied.

During 1968, Murphy and ODECO, in partnership with Société Nationale des Pétroles d'Aquitaine, obtained 5,364 square miles off the northern coast of the South Island of New Zealand in an interesting unexplored region. This area now holds much greater interest because of a discovery by another group just to the north. Exploratory drilling is planned in early 1970. Murphy and ODECO own one-sixth each.

Other Areas

In partnership with Società Italiana Resine, Murphy and ODECO have received offers of 25 percent each in licenses covering six tracts in the Italian portion of the Adriatic Sea. Subject to completion of work program negotiations, it is expected that these licenses will be issued early in 1970.

After abandonment of an exploratory well in the Burgos Province of Spain, Murphy and its American partners in the Valdebro Group elected to withdraw from this venture.

Late in 1969, ODECO joined with other companies to explore a concession area off the east coast of the Republic of South Africa. Seismic data are being interpreted, and it is likely that a well will be drilled in 1970.

MANUFACTURING

Record volumes of crude oil and condensate were refined by Murphy during 1969. Refineries at Meraux, Louisiana and Superior, Wisconsin processed an average of 56,600 barrels of oil a day, compared with 51,800 barrels a day in 1968. In addition, 33,800 barrels a day were processed for Murphy's account by refiners at Montreal, Rotterdam and Cagliari, Sardinia.

The benefits of additional volumes and efficient operation were partly offset by increases in the cost of crude oil and condensate for the Meraux Refinery.

Modification of the condensate unit at Meraux was begun and is scheduled for completion in early 1970. The revamped unit will be capable of processing both crude oil and condensate and will increase the refinery's capacity by 13 percent.

The first phase of construction of a new river dock at Meraux was completed early in 1969, and the second portion was virtually complete at year-end. This expanded facility will make it possible to handle increasing volumes of refinery input and refined products, accommodate larger vessels and reduce operating costs.

Two 55,000-barrel asphalt tanks were constructed as part of a continuing improvement program at the Superior Refinery. Because of expanded handling facilities, asphalt production, which is of increasing importance at Superior, was at record levels.

Modifications to the gas concentration unit and construction of two 55,000-barrel gasoline storage tanks were begun at Superior for completion early in 1970.

Hearings were held on Murphy's application for planning approval to construct a refinery near Glasgow, Scotland. The Secretary of State for Scotland had the application under consideration at year-end. In anticipation of a favorable ruling, bid packages are being prepared so that tenders may be solicited as soon as the result of the planning inquiry is announced. Land for the refinery is under option, and the first parcel has been purchased.

At mid-year, Murphy acquired controlling interest in Newman Industries Incorporated at Fairhope, Alabama. Newman extrudes and fabricates extra-thick-wall void-free polyethylene tubing capable of being fabricated into a variety of products, including heavy-duty belt conveyor rollers for industrial applications.

SUPPLY AND TRANSPORTATION

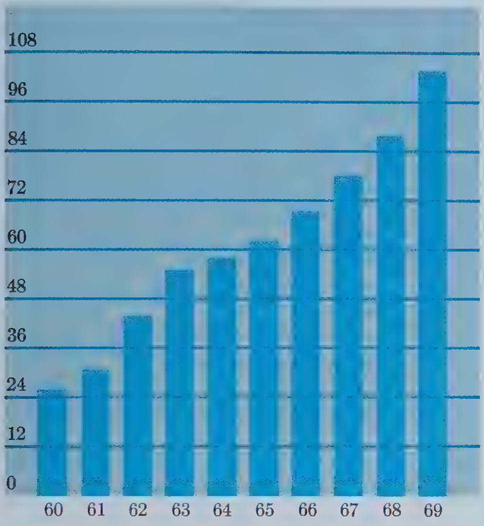
Throughout the year, Sassan crude oil and other Persian Gulf crude obtained through exchange was delivered to Sardinia and to eastern Canada to be processed for Murphy's account.

Crude oil processed in Montreal was delivered by tanker to Portland, Maine under a satisfactory transportation arrangement. This contract of affreightment extends through 1970 at the same terms.

Spot tanker rates remained inordinately high throughout the year.

Supply to Sardinia continued to move around the Cape of Good Hope. Refined products were then moved to markets in northern Europe. While part of the crude oil tonnage requirement was covered at a fairly reasonable contract rate, transportation of that part of the crude oil and products which had to be moved at spot rates was costly. New affreight-

Nashville is the capital of Tennessee. It's the site of Andrew Jackson's Hermitage, 13 colleges and universities and the Parthenon. It's also the home of the Grand Ole Opry and "the Nashville sound" in music. Country music has played an important part in making Nashville a major recording center. The Country Music Hall of Fame and Museum is a recent addition to the tourist attractions of Nashville and is a fitting tribute to the music that added to the fame of the city. The Colonial-style Spur station at the right is one of several serving the Nashville area.



REFINED PRODUCT SALES
(thousands of barrels per day)

ment contracts will result in markedly lower transportation costs during 1970.

Murphy's entitlement of Libyan crude was sold f. o. b. ship at the Mediterranean loading port. It is anticipated that sales of this crude will continue on an f. o. b. basis in 1970.

A crude oil terminal on the Louisiana Gulf Coast was completed during 1969 to achieve cost savings by consolidating small shipments from surrounding producing fields for delivery to the Meraux Refinery.

A 115,000-barrel barge has been placed under long-term lease to transport products from Meraux to the Tampa, Florida terminal. This is expected to eliminate spot tanker chartering at higher cost.

Collins Pipeline Company, a joint venture with Tenneco Oil Company, is building a 16-inch products pipeline from Meraux and Tenneco's Chalmette, Louisiana refinery to Collins, Mississippi, where it will connect with the Colonial and Plantation pipeline systems. Construction of the line and storage facilities should be completed in late 1970.

MARKETING

The volume of refined products sold increased 19 percent to a record average of 104,400 barrels a day in spite of severe competitive forces, particularly in Europe and Canada. Improved methods of selling and service were introduced.

United States

Sales of petroleum products in the United States exceeded a billion gallons for the first time, averaging 67,800 barrels a day. Sales of asphalt continued to increase and were more than 1,000,000 barrels for the second consecutive year.

Product prices at all levels moved up considerably at the end of the first quarter of 1969, but much of the increase was lost during the third quarter. Some of the increase had been regained at year-end.

Coinciding with the increase in retail prices was a successful promotional campaign which produced gallonage increases throughout the marketing area. As a result of advertising in all media with emphasis on television and the increased attention to selling and service, gasoline sales were 19 percent higher than in 1968 and, more significantly, were 11 percent higher per station.

Murphy's construction program continued at a vigorous pace with new stations reflecting a concern for combining beauty with utility in winning public acceptance. The first Spur car-care center was opened at Baton Rouge, Louisiana, and experiments with self-service operations continued in some areas.

Air and oil filters joined the growing line of Spur branded products, and an improved high-impact polypropylene battery with a 60-month guarantee was added to the existing line. The quality of Spur's EMO motor oil was improved to exceed recent automotive requirements.

Spur Auto Travel Cards continued to have good acceptance among the motoring public, and additional support in retail marketing was gained through a decision to honor BankAmericard and some other bank cards.

The number of stations marketing Spur products in the United States increased by 111 to 1,282. A program for establishing commission agents, particularly for retail distribution of fuel oil, continued with the acquisition of a large distributor in Duluth, Minnesota.

Asphalt sales increased in spite of weather that was not favorable for road construction in the area served by the Superior Refinery. Because of the continued growth of asphalt sales, a rail-fed asphalt blending plant is under construction at Rhinelander, Wisconsin, and it is scheduled for completion in mid-1970.

Canada

The Company made a number of changes in its Canadian marketing activities to improve profitability during the most competitive period in memory. In the face of unfavorable marketing conditions, Murphy's sales of refined products in Canada were almost 30 percent greater than in 1968.

The 315 branded outlets in Quebec and Ontario at year-end were almost evenly divided between Company-owned or controlled and independent dealer-owned stations. The shift from Company operation to dealer operation will be continued to combat rapidly rising operating costs. The same trend is evident in a conversion to agency operations in the sales and delivery of fuel oil for home heating. Murphy supplies more than 300 independent unbranded dealers, distributors and jobbers in Ontario and Quebec, and efforts are being made to increase that number.

The Company is continuing to design and develop full-service retail outlets in Canada, and arrangements have been made with co-developers with compatible lines of products to enable Murphy to take part in the development of more expensive properties.

An agreement has been reached with a leading supplier of high-quality automotive parts and accessories to provide these items so vital to customer acceptance. A program of dealer training is aimed at improving service in Spur stations.

Europe

Sales of refined products in Europe increased to 21,000 barrels a day, an 18-

Mobile, the only seaport in Alabama, is noted for beautiful old homes, majestic oaks and colorful azaleas. All are to be found at Oakleigh, built in the 1830s. The house, open to visitors, has been furnished in antebellum style with mementoes of Mardi Gras on the second floor. A history that dates to 1710 blends gracefully with 20th-century progress in Mobile, which is the location of a Murphy products terminal. At right, one of the largest land rigs in use drills a Murphy-interest wildcat well in Wayne County, Mississippi as part of the exploration of the Jurassic trend area in Mississippi and Alabama.

percent increase over sales in 1968. Product costs remained high throughout the year and were not offset by increased selling prices.

In the United Kingdom, the number of retail outlets selling the Company's branded products remained essentially unchanged at 548. Development of Murco as the Company's premium brand in the United Kingdom continued, and the Olympic brand for economy sales was discontinued in favor of the more promising EP brand.

Additional tankage was installed at the rail-fed terminal at Bedworth, where capacity for the winter of 1970–71 will be double the previous level. A new rail-fed terminal at Theale in Berkshire, west of London, is expected to lead to increased sales in the latter part of 1970.

In Sweden, the number of Murco and Uno-X branded stations remained virtually unchanged at 127.

Expansion of the heating fuel market in Sweden continued during the year. Additional tankage was built at the terminals at Gävle and Södertälje.

CONTRACT DRILLING

Ocean Drilling & Exploration Company's rigs in the Gulf of Mexico had virtually no downtime resulting from lack of work in spite of the postponement of lease sales. This desirable situation was accomplished by having a backlog of Company-operated drilling.

ODECO's first jack-up rig, "Ocean Star," went into operation in the Gulf of Mexico in the fall of 1969. It is capable of drilling in 175 feet of water.

Two Gulf of Mexico hurricanes forced shutdown of ODECO rigs during the year, but there was little damage to equipment.

In the North Sea, "Ocean Viking" drilled under contract most of the year and was out of service some two months for modifications. "Ocean Traveler," which had operated in the North Sea three years, was towed to South Africa and has commenced contract drilling operations. "Ocean Digger" continued to operate under contract off the southern coast of Australia.

"Ocean Prospector," ODECO's first self-propelled semisubmersible barge, is under construction at Hiroshima, Japan with completion scheduled for early 1971.

TIMBER AND FARMING

Deltic Farm & Timber Co., Inc. had its highest earnings ever although growing conditions were poor and prices for farm crops were somewhat below the levels of prior years. Net earnings were 58 percent greater than in 1968 and 36 percent higher than the previous record established in 1966.

Prices for pine logs were at an all-time high, and the market for hardwood logs was good. Deltic increased its pine sawtimber sales by 30 percent and sold half again as many hardwood logs as in 1968.

Unusually heavy amounts of rainfall during the planting season and extremely dry conditions during the growing period reduced the yields of cotton and soybeans, although production per acre was still well above national and state averages.

Deltic continued its program of converting selected tracts of woodland to crop production. In cooperation with others, drainage canals and ditches were constructed for cropland improvement. Mechanical and chemical control of weed species was carried out on several thousand acres of woodland to improve pine growth.

PERSONNEL

Although most subsidiary companies had increases in personnel, employment throughout the enterprise declined by 27 to 3,635. Part of this net reduction was attributable to the continuing program to convert service stations from Company to dealer operation.

The Company adopted an affirmative action program that reaffirms and strengthens its policy of granting full equality in employment opportunities. The program sets goals for minority employment and outlines means by which these goals are to be accomplished.

Relations with employees in all segments of the Company remained highly satisfactory. New two-year contracts were signed with employee bargaining units at the Meraux and Superior Refineries. Emphasis on safety continued, and the parent Company's injury frequency rate for the year was about 35 percent below that of the United States petroleum industry.

David T. Searls of Houston, Texas, senior partner in the law firm of Vinson, Elkins, Searls & Connally, was elected to the Board of Directors during the year.

John M. Brown, a vice president of the Company, in charge of manufacturing operations, retired September 1, and O. Paul Doyle was promoted to manager of manufacturing. Robert J. Sweeney, a vice president, was transferred to London to become president of Murphy Eastern Oil Company. Paul C. Bilger, general manager of supply and transportation, and Ben S. Smith Jr., general manager of administrative services, were elected vice presidents of the Company.

EARNINGS

Consolidated income before extraordinary items was $6,228,000, equal to $1.10 per Common and Common equivalent share after providing for dividends on the Preferred and Preference Stock. In 1968, restated income before extraordinary items was $7,020,000, equal to $1.28 per Common and Common equivalent share. The sale of a property added $403,000, nine cents a share, in 1969. In 1968, similar extraordinary items aggregated $898,000, equal to 20 cents a share. Common and Common equivalent shares outstanding averaged 4,616,638 for 1969, an increase of 200,105 over 1968. Almost all of the increase arose from the conversion of the Company's Cumulative Preference Stock, 4.90% Series, which occurred in May 1968.

REVENUES

Consolidated gross revenues were $251,996,000, a gain of 17 percent over the $214,551,000 realized in 1968. Total sales grew from $183,999,000 in 1968 to $217,292,000. Oil and gas sales were up 41 percent to $32,188,000, reflecting an increase in the daily average production of crude oil and gas liquids from 23,000 barrels per day to 37,400 barrels per day and in gas production from 55.4 million cubic feet per day to 60.3 million per day. Most of the revenue increase was related to Persian Gulf production.

Revenues from refined product sales were $182,664,000, an increase of 15 percent, compared with $158,719,000. This increase arose from a growth in sales volumes from an average of 88,000 barrels per day to 104,400 barrels per day. Volume increases occurred in the United States, Canada and Europe and in all products. Overall, product prices showed slight improvement over the prior year. Bromine and gas plant product sales declined from $951,000 to $413,000 because the Company's interest in the bromine plant was sold early in the year.

Sales of agricultural products and timber were $2,027,000, an advance of $509,000 brought about by higher timber prices and an enlarged logging program.

Drilling and other operating revenues were $29,468,000, six percent higher than in the previous year. One new drilling barge joined ODECO's fleet late in September and contributed to the revenue increase. Day rates on the other units were only slightly higher or were unchanged during the year.

Interest and other income nearly doubled to a total of $5,236,000, compared with $2,731,000. Virtually all of this gain is due to the earnings from the investment in short-term obligations of the proceeds from the Murphy Oil International Finance Corporation and ODECO convertible debentures.

COSTS AND DEDUCTIONS

Costs and deductions were $245,768,000, up 18 percent from $207,531,000 in 1968. As a percentage of total revenues, costs and deductions increased eight-tenths of one percent to 97.5. Costs of crude oil, products and related operating expenses reflect record oil and gas production and refined product sales' volumes, a new high in refinery runs, and increased ocean transportation rates, costs of operating supplies and payroll charges. Drilling barge and other operating expenses absorbed similar cost increases in addition to the operating expenses associated with the new barge. Total expenses were $13,123,000, compared with $12,561,000 for 1968.

Exploration expenses which include amortization of undeveloped acreage costs were $8,660,000, an increase of $1,687,000 or 24 percent above the previous year. This increment was the result of escalated exploratory drilling and geophysical activities and a full year's amortization of the cost of the offshore Texas leases acquired in May 1968.

Selling and general expenses rose $2,808,000 to $18,739,000 for the year reflecting the higher volume of business as well as unit cost advances in almost all categories. Despite the 18-percent increase, selling and general expenses were seven percent of total revenue, unchanged from 1968.

Depreciation and depletion decreased $709,000 for the year to $14,303,000. Increases arising from higher crude oil, gas liquids and natural gas production were more than offset by a reduction resulting from an extension of the useful lives on ODECO's drilling barges which was effective January 1, 1969. Taxes other than income taxes were $4,318,000, an increase of $546,000 over 1968. During the year, excise taxes of $120,314,000 were collected and paid to various governmental agencies. In 1968, excise tax collections and remittances were $98,398,000. Interest and other debt expense was $6,684,000, compared with $4,959,000, an increase of $1,725,000 over 1968. The increase represents for the most part the interest on Murphy's debentures issued in January and ODECO's debentures issued in July 1969. (See Capital Employed)

Federal and state income taxes were $2,572,000, up from $1,208,000 the year before. Virtually all of the additional taxes occurred in ODECO. Foreign income taxes increased $4,676,000 to $5,652,000. By far the greatest portion of the increase is related to higher Persian Gulf production where the tax is determined by a negotiated formula for calculating taxable income.

CAPITAL EXPENDITURES

Capital expenditures were $41,321,000 for the year, up $9,901,000 from 1968. Expenditures of $5,926,000, including dry hole charges totaling $5,159,000, were expensed. In 1968, dry hole charges were $3,521,000.

Consolidated production and exploration capital expenditures were $16,001,000. Of this amount, $1,907,000 was spent in inland United States, $8,164,000 offshore in the Gulf of Mexico and $2,149,000 in Canada. The remaining expenditures were made in foreign areas with the largest portion, $2,263,000, expended in Libya.

Manufacturing Department expenditures were $3,617,000 for the year. Principal items were completion of new river dock facilities and a crude unit revamp at Meraux, addition to product storage tanks and cooling tower

capacity at Superior and the cost of design engineering for the proposed Scottish refinery.

Expenditures totaling $7,825,000 were made for service station construction, station modernization, site acquisitions and other marketing facilities. Marketing capital expenditures for 1968 were $6,223,000. Of this year's expenditures, $5,022,000 was spent in the United States, $2,139,000 in eastern Canada and $664,000 in the United Kingdom and Sweden.

Completion of the drilling barge "Ocean Star," progress payments on the "Ocean Prospector" under construction in Japan and other barge modernization and equipment cost $12,271,000.

Expenditures for farm, timber and other properties were $1,607,000. Included in this total were progress payments of $851,000 made on a crude oil pipeline being laid in the Gulf of Mexico from the Ship Shoal Block 113 Field through the South Pelto Block 20 Field and on to shore in the Terrebonne Bay area of south Louisiana.

CAPITAL EMPLOYED

In January, Murphy Oil International Finance Corporation sold, outside the United States, $25,000,000 principal amount of 5% Convertible Debentures Due 1989. The bonds are unconditionally guaranteed on a subordinated basis by Murphy Oil Corporation. The proceeds of the sale were invested in short-term obligations overseas and added to working capital. In July, Ocean Drilling & Exploration Company sold $19,872,600 principal amount of 5½% Convertible Subordinated Debentures Due 1994 under a rights offering. Murphy Oil Corporation exercised its rights under the terms of the offering and acquired $10,108,300 principal amount of the ODECO debentures. The proceeds of the ODECO debenture sale were invested in short-term obligations and added to its working capital.

At year-end, working capital was $69,769,000, an increase of $30,042,000 for the year. Long-term debt increased $39,019,000 and was $103,998,000 at December 31 exclusive of current amounts of $6,711,000 for 1969 and $7,846,000 for 1968.

Stockholders' equity increased $2,517,000 during 1969 to a total of $137,549,000 at year-end. During the year, cash dividends of $3,864,000 were paid on the Preferred, Preference and Common Stock.

INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT OF THE COMPANY AND CONSOLIDATED SUBSIDIARIES

	1969 Additions	Investment December 31, 1969	Investment December 31, 1968
Production and exploration	$10,075,000	141,062,000	135,447,000
Manufacturing	3,617,000	35,869,000	33,608,000
Marketing	7,825,000	55,463,000	48,845,000
Drilling barges and equipment	12,271,000	70,794,000	59,746,000
Farm, timber and other	1,607,000	12,460,000	10,985,000
	$35,395,000	315,648,000	288,631,000
Reserves for depreciation, depletion and amortization		121,538,000	110,564,000
		$194,110,000	178,067,000

STATEMENT OF INCOME—YEARS ENDED DECEMBER 31, 1969 and 1968

	1969	1968
REVENUES		
Sales	**$217,292,000**	183,999,000
Drilling and other operating revenues	**29,468,000**	27,821,000
Interest and other income	**5,236,000**	2,731,000
Total revenues	**251,996,000**	214,551,000
COSTS AND DEDUCTIONS		
Crude oil, products and related operating expenses	**168,036,000**	142,926,000
Drilling barge and other operating expenses	**13,123,000**	12,561,000
Exploration expenses	**8,660,000**	6,973,000
Selling and general expenses	**18,739,000**	15,931,000
Depreciation and depletion	**14,303,000**	15,012,000
Taxes other than income taxes	**4,318,000**	3,772,000
Interest expense	**6,684,000**	4,959,000
Federal and state income taxes	**2,572,000**	1,208,000
Foreign income taxes	**5,652,000**	976,000
Minority interests' income	**3,681,000**	3,213,000
Total costs and deductions	**245,768,000**	207,531,000
INCOME BEFORE EXTRAORDINARY ITEMS	**6,228,000**	7,020,000
Extraordinary items less income taxes of $153,000 in 1969 and $260,000 in 1968:		
Gain on sale of property	**403,000**	688,000
Severance tax refund	**—**	210,000
NET INCOME	**$ 6,631,000**	7,918,000
Per Common and Common equivalent share:		
Income before extraordinary items	**$1.10**	1.28
Net income	**1.19**	1.48

See notes to financial statements, page 20.

BALANCE SHEET—DECEMBER 31, 1969 and 1968

	1969	1968
ASSETS		
Current assets:		
Cash	$ 11,683,000	10,182,000
Certificates of deposit	22,007,000	2,287,000
Marketable securities, at cost which approximates market	18,166,000	8,125,000
Accounts receivable, less allowance for doubtful accounts of $1,090,000 in 1969 and $1,138,000 in 1968	50,938,000	38,089,000
Inventories of crude oil and finished products	25,539,000	26,319,000
Materials and supplies	3,406,000	2,999,000
Total current assets	131,739,000	88,001,000
Investments and noncurrent receivables, principally at cost	10,174,000	12,026,000
Property, plant and equipment, at cost less reserves	194,110,000	178,067,000
Deferred charges and other assets	7,891,000	5,615,000
	$343,914,000	283,709,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Long-term debt due within one year	$ 6,711,000	7,846,000
Notes payable	4,167,000	4,133,000
Accounts payable and accrued liabilities	45,101,000	34,886,000
Income taxes	5,991,000	1,409,000
Total current liabilities	61,970,000	48,274,000
Long-term debt	103,998,000	64,979,000
Deferred credits and other liabilities	4,074,000	3,854,000
Deferred and noncurrent income taxes	6,644,000	5,028,000
Minority interests in subsidiaries	29,679,000	26,542,000
Stockholders' equity	137,549,000	135,032,000
	$343,914,000	283,709,000

See notes to financial statements, page 20.

STATEMENT OF STOCKHOLDERS' EQUITY—YEARS ENDED DECEMBER 31, 1969 and 1968

	1969	1968
CAPITAL STOCK		
Cumulative Preferred Stock, Series A, 6¼%, par $100, authorized and issued 38,318 shares	$ 3,832,000	3,983,000
Cumulative Preference Stock, par $100, authorized 400,000 shares:		
5.20% Series, authorized and issued 171,570 shares	17,157,000	17,181,000
Common Stock, par $1.00, authorized 8,000,000 shares, issued 4,552,041 shares	4,552,000	4,550,000
Capital Stock at end of year	25,541,000	25,714,000
CAPITAL IN EXCESS OF PAR VALUE		
Balance at beginning of year	64,106,000	51,591,000
Add:		
Excess of proceeds over par value of Common Stock sold	31,000	20,000
Conversion of Cumulative Preference Stock into Common Stock:		
5.20% Series	23,000	12,000
4.90% Series	—	12,553,000
Deduct:		
Listing application and registration expenses	24,000	—
Cost of converting Cumulative Preference Stock, 4.90% Series	—	70,000
Capital in Excess of Par Value at end of year	64,136,000	64,106,000
RETAINED EARNINGS		
Balance at beginning of year:		
As previously reported	47,158,000	42,426,000
Deduct provision for prior years' amortization of undeveloped acreage costs	1,928,000	1,657,000
As restated	45,230,000	40,769,000
Add net income for the year	6,631,000	7,918,000
Deduct cash dividends declared:		
Preferred and Preference Stock	1,134,000	991,000
Common Stock—$0.60 and $0.57½ a share	2,730,000	2,466,000
Retained Earnings at end of year	47,997,000	45,230,000
Less treasury stock, 5,500 shares in 1969 and 1,000 shares in 1968 of Common Stock, at cost	125,000	18,000
TOTAL STOCKHOLDERS' EQUITY	$137,549,000	135,032,000

See notes to financial statements, page 20.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS—YEARS ENDED DECEMBER 31, 1969 and 1968

	1969	1968
SOURCE OF FUNDS		
Net income	**$ 6,631,000**	7,918,000
Depreciation and depletion	**14,303,000**	15,012,000
Amortization of undeveloped acreage costs	**1,455,000**	1,126,000
Deferred and noncurrent income taxes	**1,714,000**	60,000
Minority interests' income	**3,681,000**	3,213,000
Other	**2,227,000**	2,930,000
Funds provided by operations	**30,011,000**	30,259,000
Increase in long-term debt	**39,019,000**	123,000
Other	**3,509,000**	1,686,000
Total funds provided	**72,539,000**	32,068,000
APPLICATION OF FUNDS		
Additions to property, plant and equipment	**35,395,000**	27,084,000
Dividends	**3,864,000**	3,457,000
Major drilling barge and refinery repairs	**1,762,000**	1,587,000
Investments, noncurrent receivables and deferred charges	**649,000**	1,322,000
Other	**827,000**	1,300,000
Total funds applied	**42,497,000**	34,750,000
INCREASE (DECREASE) IN WORKING CAPITAL	**$30,042,000**	(2,682,000)

See notes to financial statements, page 20.

Notes to Financial Statements

(See pages 15 and 21 for details of property, plant and equipment and long-term debt, respectively.)

Principles of Consolidation

The consolidated financial statements include the assets and liabilities and operations of Murphy Oil Corporation and its significant majority-owned subsidiaries.

Foreign currency amounts have been translated to United States dollars at appropriate rates of exchange. The translation gains and losses were insignificant and have been included in income.

The geographical distribution of consolidated assets and net income is shown below:

	Assets	*Net Income*
United States	$194,135,000	5,297,000
Other Western Hemisphere	44,351,000	2,257,000
Eastern Hemisphere	105,428,000	(923,000)
	$343,914,000	6,631,000

Change in Accounting Policy

Effective January 1, 1969, the amortization method of accounting for the cost of undeveloped oil and gas leases was adopted retroactively. Under this method cost of that portion of undeveloped acreage estimated to be nonproductive is written off over the estimated holding periods. Prior to January 1, 1969, the cost of such leases was charged to expense when the leases were surrendered. The change had no significant effect on net income for 1969. The 1968 financial statements have been restated to reflect this change and, accordingly, net income for that year has been reduced $271,000, six cents a share. Retained earnings at December 31, 1968 have been decreased $1,928,000, net of deferred taxes ($525,000) and minority interests ($214,000), and net property, plant and equipment has been decreased $2,667,000.

Inventories

Inventories of finished products are stated at the lower of cost (applied on a first-in, first-out basis) or market. Inventories of crude oil are stated generally at market prices, except that crude oil inventories located in foreign areas other than Canada are stated at the lower of cost or estimated realizable value. Materials and supplies are stated at average cost.

Property, Plant and Equipment

Undeveloped leasehold costs, including related geological and geophysical expenditures, are capitalized and transferred to producing properties if production is obtained. Dry hole costs, delay rentals and other exploration expenditures are charged to income as incurred.

Depreciation and depletion of producing oil and gas properties are computed on the unit-of-production method based on estimated remaining recoverable oil and gas reserves for each separate property except for properties located offshore in the Gulf of Mexico which are combined and treated as one property. Intangible development costs, included in producing oil and gas properties for financial purposes, are deducted for income tax purposes when incurred. Depreciation of marketing and refining properties, drilling barges and related equipment, and other properties is computed on the straight-line method based on the estimated useful lives of the properties.

Effective January 1, 1969, a 51-percent-owned subsidiary extended the estimated useful lives of its drilling barges from ten to twelve years based on experience. This extension resulted in a decrease of approximately $1,200,000 in depreciation in 1969 and in an increase of approximately $306,000, seven cents a share, in consolidated net income.

Income Taxes

The provisions for income taxes are summarized below:

	Federal and State	*Foreign*	*Total*
Current	$1,448,000	5,315,000	6,763,000
Noncurrent	370,000	—	370,000
Deferred	754,000	337,000	1,091,000
	$2,572,000	5,652,000	8,224,000

Federal income taxes have been reduced by investment tax credit of $619,000. Unused investment credit of approximately $1,200,000 at December 31, 1969, not reflected in the financial statements, is available to reduce taxes subject to the limitations on carryover in future years. Noncurrent taxes relate to matters the settlement of which is uncertain. Deferred taxes arise from timing differences between financial and taxable income, primarily amortization of undeveloped acreage costs and the use of accelerated depreciation for tax purposes.

Employee Retirement Plans

The Company and certain subsidiaries have several retirement plans covering substantially all of their employees, including certain employees in foreign countries. The cost of the plans for the year was $565,000, which includes amortization of prior service costs over periods ranging from five to 20 years. Such cost is funded as accrued. The cost of increased benefits provided under amendments to certain plans in 1969 was not material. The unfunded prior service cost is approximately $1,500,000. At December 31, 1969, the total of retirement plan funds and balance sheet accruals was sufficient to cover the actuarially computed value of vested benefits.

Stock Options and Warrant

Options to purchase 14,340 shares of Common Stock, which were granted prior to January 1, 1964 to officers and key employees under the Company's Employee Stock Option Plan, were outstanding and exercisable at December 31, 1969. These options are exercisable at prices ranging from $18.75 to $19.04 a share which represent 95% of the fair market value of the shares covered by each option on the date of grant, adjusted pursuant to anti-dilution provisions. Options for 1,730 shares were exercised during the year at prices ranging from $18.75 to $19.04.

On May 7, 1969, the stockholders approved the 1969 Stock Option Plan which provides for the issuance of options to key employees of the Company or its 80%-owned subsidiaries for the purchase of a maximum of 75,000 shares of the Company's Common Stock at a price not less than fair market value at date of grant. Options become exercisable as to 50% of the total shares three years after date of grant and as to all shares after four years. At December 31, 1969, options granted under the 1969 Plan were outstanding to purchase 22,500 shares of Common Stock at $43.625 a share. Options for 1,000 shares expired.

Pursuant to terms of a loan agreement, a warrant which expires September 1, 1976 is outstanding for the purchase of 158,550 shares of the Company's Common Stock at $21.76 a share until September 1, 1971 and $29.46 a share thereafter.

Stockholders' Equity

Agreements relating to certain notes of the Company and the provisions of the Certificate of Incorporation, as amended, relating to the Cumulative Preferred Stock, Series A, contain, among other things, restrictions on the payment of dividends, other than dividends payable in Common Stock. At December 31, 1969, under the most restrictive of such provisions, retained earnings of approximately $9,750,000 were free from such restrictions.

The stockholders on May 7, 1969 approved an amendment to the Company's Certificate of Incorporation relating to the Series A which deleted the restrictions on the creation of indebtedness, increased the annual dividend rate from 5½% to 6¼% effective January 1, 1969 and increased the annual sinking fund to $504,200 beginning June 1, 1971. On June 1, 1969, 1,512 shares of the Series A were redeemed under the provisions of the annual sinking fund.

Each share of the Cumulative Preference Stock, 5.20% Series, is convertible into 2.50 shares of Common Stock at any time prior to June 1, 1982. During the year 238 shares of the 5.20% Series were converted into 594 shares of Common Stock. There are 428,925 shares of the Company's authorized and unissued Common Stock reserved for issuance upon conversion of the 5.20% Series.

By action of the stockholders the number of shares of Common Stock authorized was increased from 6,000,000 to 8,000,000 shares.

In January 1969 a subsidiary issued $25,000,000 of 5% Convertible Debentures Due 1989. The Debentures are guaranteed by the Company on a subordinated basis and are convertible into Common Stock of the Company at $52 a share. The Company has reserved 480,769 shares of its authorized and unissued Common Stock for issuance upon conversion of the Debentures.

Earnings Per Share

Earnings per share have been computed in accordance with Opinion No. 15 issued by the Accounting Principles Board of the American Institute of Certified Public Accountants. Earnings per Common share and Common equivalent share were computed by dividing the weighted average number of shares of Common Stock and Common Stock equivalents outstanding during each year into net income applicable to such shares after deducting dividends attributable to the Preferred and Preference shares. Only the Company's outstanding warrant and exercisable options are Common Stock equivalents. The weighted average number of Common shares outstanding in each year was increased by the shares issuable under the terms of the warrant and exercisable options with the number of shares being determined by the Treasury Stock Method.

There was no dilution of earnings per share in 1969 and less than two percent in 1968 under the full dilution calculation.

Commitments

The Company and its subsidiaries are obligated as lessees under long-term leases expiring more than three years after December 31, 1969 principally on service stations and office space. Set forth below are the minimum annual rentals payable under these leases (without reduction for related rental income) which expire within the periods indicated.

1973-1979	$1,646,000
1980-1989	2,316,000
After 1989	479,000
	$4,441,000

The leases generally contain multiple renewal options and leases on service stations provide that the companies shall pay property taxes and certain other charges.

Commitments had been made at December 31, 1969 for capital expenditures of approximately $13,700,000.

LONG-TERM DEBT—DECEMBER 31, 1969

	Due Within One Year	Long-Term
MURPHY OIL CORPORATION		
Note, 6¼% due 1970 to 1983	$2,400,000	31,200,000
Notes payable to banks, 9% due 1971 to 1973	—	10,000,000(a)
Notes payable to foreign bank, 7% due 1971	—	3,460,000(b)
Notes, 7¼% due 1973	—	2,303,000(b)
Other indebtedness due 1970 to 1979	115,000	802,000
Total Company	2,515,000	47,765,000
SUBSIDIARIES		
5% Convertible Debentures due 1989	—	25,000,000
5½% Convertible Subordinated Debentures due 1994	—	9,765,000(c)
Notes, 5.32% due 1970 to 1976	2,490,000(d)	8,400,000
Notes payable to foreign banks, 6½% and 6¾% due 1972 and 1973	—	7,990,000(b)
Mortgage note, 5½% due 1970 to 1983	150,000	3,071,000
Mortgage notes, 5½% due 1970 to 1982	158,000	1,767,000
Note payable to bank, 6% due 1970	800,000	—
Other indebtedness due 1970 to 1981	598,000	240,000
Total Subsidiaries	4,196,000	56,233,000
CONSOLIDATED	$6,711,000	103,998,000

Amounts becoming due for the four years after 1970 are: 1971, $11,111,000; 1972, $13,466,000; 1973, $12,172,000; and 1974, $4,350,000. (a) Interest fluctuates with prime bank rate. (b) United States dollar equivalent. (c) After elimination of $10,108,000, the principal amount of debentures held by Murphy Oil Corporation. (d) Includes the final payment of $1,090,000 due under the prepayment provision of the note agreement.

Accountants' Report

THE BOARD OF DIRECTORS
MURPHY OIL CORPORATION:

We have examined the balance sheet of Murphy Oil Corporation and Consolidated Subsidiaries as of December 31, 1969 and the related statements of income and stockholders' equity and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and stockholders' equity present fairly the financial position of Murphy Oil Corporation and Consolidated Subsidiaries at December 31, 1969 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in the method of accounting for undeveloped acreage costs, which we approve, described in notes to financial statements. Also, in our opinion, the accompanying statement of source and application of funds presents fairly the information shown therein.

PEAT, MARWICK, MITCHELL & CO.

Shreveport, Louisiana
March 6, 1970

TEN-YEAR SUMMARY—(Dollars in thousands, except per-share amounts)

FINANCIAL	1969	1968	1967
Sales and other revenues:			
Oil, gas and refined products	$215,782	182,884	171,706
Drilling revenue	$ 28,541	27,418	24,161
Agricultural products and timber	$ 2,027	1,518	1,619
Other income	$ 5,646	2,731	1,701
Total revenues	$251,996	214,551	199,187
Income before extraordinary items	$ 6,228	7,020	8,786
Per Common and Common equivalent share	$ 1.10	1.28	1.88
Net income	$ 6,631	7,918	8,330
Per Common and Common equivalent share	$ 1.19	1.48	1.77
Cash flow	$ 24,909	24,274	23,753
Per Common and Common equivalent share	$ 5.15	5.18	5.62
Capital expenditures:			
Production and exploration	$ 16,001	19,428	18,655
Manufacturing	$ 3,617	1,673	1,818
Marketing	$ 7,825	6,223	5,888
Drilling barges and equipment	$ 12,271	3,209	6,803
Farm, timber and other	$ 1,607	887	839
Total capital expenditures	$ 41,321	31,420	34,003
Funds provided by operations	$ 30,011	30,259	28,238
Total assets	$343,914	283,709	267,791
Working capital	$ 69,769	39,727	42,409
Long-term debt	$103,998	64,979	64,856
Stockholders' equity	$137,549	135,032	130,826
Cash dividends—Preferred and Preference	$ 1,134	1,432	1,198
Common	$ 2,730	2,466	1,974
Shares of Common Stock outstanding at year-end (thousands)	4,547	4,549	3,990
PEOPLE			
Common stockholders at year-end	5,203	5,208	4,980
Employees at year-end	3,635	3,662	3,873
Salaries, wages and benefits	$ 27,020	24,504	23,881
PRODUCTION AND EXPLORATION (net)			
Crude oil and gas liquids produced—barrels per day	37,448	22,973	20,241
Natural gas produced—MCF per day	60,334	55,445	51,679
Wells completed:			
Oil wells	5	15	26
Gas wells	4	3	3
Dry holes	25	20	18
Oil and gas wells owned	588	597	619
Undeveloped acreage (thousands of acres)	3,713	2,657	2,436
MANUFACTURING			
Refinery inputs—barrels per day:			
At Company refineries	56,590	51,790	48,142
At other refineries	33,805	26,473	12,858
Refining capacity—barrels per day	60,000	55,000	50,000
MARKETING			
Products sold—barrels per day:			
Gasoline	55,799	46,279	43,137
Distillates	29,637	25,497	20,608
Residuals	15,818	13,470	11,781
Asphalt	3,180	2,790	2,597
Total products sold	104,434	88,036	78,123
Branded retail outlets—leased and owned	942	928	833
others	1,332	1,103	995

The years 1960 through 1968 have been restated—see notes to financial statements, page 20.

Income and cash flow total and per-share figures are after elimination of minority interests.

1966	1965	1964	1963	1962	1961	1960
158,973	142,549	130,887	125,216	122,174	97,591	85,001
19,557	15,956	12,404	9,258	6,962	6,629	7,674
1,330	1,203	1,189	1,241	1,136	1,085	1,004
2,372	1,275	904	790	718	685	157
182,232	160,983	145,384	136,505	130,990	105,990	93,836
8,102	6,204	4,159	4,982	2,796	4,953	4,172
1.82	1.42	1.01	1.22	0.65	1.36	1.23
8,102	6,204	4,159	4,982	2,796	4,953	5,549
1.82	1.42	1.01	1.22	0.65	1.36	1.64
22,383	19,888	16,181	16,315	14,664	15,109	15,067
5.48	4.95	4.11	4.15	3.72	4.21	4.46
11,554	18,495	11,097	6,373	12,903	11,717	10,331
2,524	533	558	293	1,900	16,824	855
4,280	3,226	3,124	2,225	3,457	5,525	17,593
13,023	10,930	8,391	3,784	2,750	230	157
281	240	430	110	126	139	203
31,662	33,424	23,600	12,785	21,136	34,435	29,139
26,845	22,277	17,639	17,026	15,389	14,532	15,247
229,035	203,622	174,108	159,083	156,617	147,840	119,456
34,180	28,566	18,233	20,577	18,632	16,923	16,697
60,750	54,254	47,503	43,629	45,311	36,594	33,032
109,068	103,586	85,152	83,267	80,589	80,134	60,995
998	686	254	263	271	130	—
1,938	1,936	1,935	1,931	1,919	1,725	—
3,876	3,876	3,871	3,863	3,856	3,856	3,407
5,228	4,973	5,417	5,220	5,600	5,775	6,430
3,634	3,879	3,585	3,418	3,415	3,410	2,555
21,347	18,650	16,357	15,300	15,196	12,269	10,741
19,581	18,355	15,959	15,337	15,686	14,047	15,186
49,556	51,440	56,616	58,208	65,555	61,408	57,427
29	37	36	28	18	25	22
2	3	5	4	6	2	3
35	32	14	17	15	12	10
602	592	548	484	458	451	459
2,339	2,965	3,709	2,247	6,086	3,071	5,115
45,411	41,057	39,271	38,581	34,096	16,373	11,811
10,630	7,672	4,011	4,000	3,989	1,381	3,981
47,000	44,000	43,000	43,000	40,000	35,000	15,000
38,808	32,962	29,721	25,666	22,910	16,915	13,792
18,825	17,423	14,395	16,975	11,978	6,833	5,019
10,419	10,178	12,860	11,699	8,019	6,036	5,882
2,019	1,120	1,085	773	730	767	652
70,071	61,683	58,061	55,113	43,637	30,551	25,345
779	735	681	636	607	586	464
665	598	470	337	333	314	172

Adjustment has been made for a 2% stock dividend in 1962.

BOARD OF DIRECTORS

Bruce K. Brown (1960)
New Orleans, Louisiana
Management Consultant, formerly Chairman of the Board

*Charles E. Cowger (1968)
Senior Vice President

Dr. John W. Deming (1950)
Alexandria, Louisiana
Physician

*Charles J. Hoke (1950)
Senior Vice President

F. B. Ingram (1961)
New Orleans, Louisiana
President, Ingram Barge Company

James R. Jones (1968)
Controller

The Rt. Rev. Christoph Keller Jr. (1950)
Little Rock, Arkansas
Bishop Coadjutor, Episcopal Diocese of Arkansas

*C. H. Murphy Jr. (1950)
President

*William C. Nolan (1950)
El Dorado, Arkansas
Partner, Munoco Company

*J. A. O'Connor Jr. (1955)
Chairman of the Board

Ralph Owen (1960)
Nashville, Tennessee
President, Equitable Securities, Morton & Co., Incorporated

David T. Searls (1969)
Houston, Texas
Senior Partner, Vinson, Elkins, Searls & Connally

*Member of the Executive Committee
(Year of election to the Board indicated in parentheses)

OFFICERS

C. H. Murphy Jr., *President*

J. A. O'Connor Jr., *Chairman of the Board*

Charles J. Hoke, *Senior Vice President*

Charles E. Cowger, *Senior Vice President*

John L. Solomon, *Vice President*

Paul C. Bilger, *Vice President*

Ben S. Smith Jr., *Vice President*

James R. Jones, *Controller*

L. R. Beasley, *Treasurer*

Jerry W. Watkins, *Secretary*

Annual Meeting

The annual meeting of the stockholders of the Company will be held May 6, 1970 at the El Dorado Fine Arts Center, El Dorado, Arkansas.

MURPHY
OIL CORPORATION

SPUR®

TRANSFER AGENTS AND REGISTRARS

Common Stock
Transfer Agents
Chemical Bank, New York
Mercantile Trust Company N.A., St. Louis

Registrars
Morgan Guaranty Trust Company of New York, New York
St. Louis Union Trust Company, St. Louis

Cumulative Preferred Stock, Series A
Transfer Agent and Registrar
Murphy Oil Corporation, El Dorado, Arkansas

Cumulative Preference Stock, 5.20% Series
Transfer Agent
Chemical Bank, New York
Registrar
Morgan Guaranty Trust Company of New York, New York

AUDITORS

Peat, Marwick, Mitchell & Co., Shreveport, Louisiana

PRINCIPAL SUBSIDIARY COMPANIES

Deltic Farm & Timber Co., Inc. (100%)
Farm and timber properties in Arkansas and Louisiana

Murco Libya Oil Company (100%)
Exploration for and production of crude oil and natural gas in Libya

Murco Petroleum Limited (100%)
Retail and wholesale marketing of petroleum products in Great Britain

Murphy Eastern Oil Company (100%)
Coordination of the Company's activities in Europe, Africa and the Middle East

Murphy Middle East Oil Company (100%)
Exploration for and production of crude oil in Iran

Murphy Oil Company Ltd. (89%)
Exploration for and production of crude oil and natural gas and retail and wholesale marketing of petroleum products in Canada

Murphy Oil International Finance Corporation (100%)
Financing of capital requirements of foreign operations

Murphy Oil Trading Company (100%)
Purchase, sale and transportation of crude oil and refined petroleum products

Murphy Oil Venezolano, C. A. (100%)
Exploration for and production of crude oil and natural gas in Venezuela

Ocean Drilling & Exploration Company (51%)
Drilling contracting and exploration on continental shelves worldwide—Oil and gas production in the Gulf of Mexico

Svenska Murco Petroleum Aktiebolag (100%)
Retail and wholesale marketing of petroleum products in Sweden

Printed in United States of America

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